☰

ACHIM SZEPANSKI 2019-11-13

IMPERIALISM AND WORLD MARKET

ECONOFICTION CAPITAL AS POWER, FINANCE, IMPERIALISM, LOGISTICS, MARXISM, WORLD MARKET

While there are important parallels between the national market and the world market, the latter is not simply a subcategory of the latter. A more detailed analysis of the world market reveals that it is more than just the aggregation of states and enterprises, namely a complex structure, a chain of international relations, flows of goods and money capital, and monetary causal links that, while building on the different national states and the different systems of capital power, develop a certain autonomy in the complex structure of the world market and yet do not have a single economic constitution. The world economy is not simply the sum of national parts, but is itself a hierarchically differentiated system of states and transnational corporations within which the growth of capital exports of the enterprises of the leading imperialist states is promoted, the space for capital circulation and the financial industry is expanded, and a complex relationship between leading and subaltern nations is established within the framework of complicated networks of information transmission.

The expansion of financial markets and the massive export of capital from the U.S., Western Europe and Japan to the peripheral states since the 1970s contributed to the partial deindustrialization of these capitalist countries, led to the import of cheap consumer goods there, and enabled the export-oriented industrialization of peripheral states. The foreign exchange reserves, which China in particular generated through its export-oriented growth model, flowed into US government bonds and other financial assets, thereby strengthening the expansion of the financial markets. The countries of the global South and their growth strategies remain dependent on a continuous influx of foreign capital and foreign sales markets. China and other emerging economies cannot currently be interested in a decline of the neoliberal regimes of the West, since they are fully integrated into the neoliberally oriented world order.

The deepening of the international division of labour and the integration of countries and companies at the economic level always require corresponding political regulations, agreements and treaties. However, with the increasing transnationalization of capital, supra-transnational institutions are increasingly being created for international regulation, and informal agreements between governments are becoming increasingly frequent. It should be noted that political processes that used to be related to parliamentary democracy are now being transformed into supra-national institutions dominated by experts, which themselves largely evade formal democratic control (the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank, the EU and the European Central Bank are to be mentioned here). Under all these conditions, the cyclical forms of profit

cycles, especially the production of average profit rates, the tendency of the profit rate to fall and its opposite tendencies, can no longer be discussed at the level of national economies alone. The international capital and price movements do not lead to average profit rates on the world market, but the national differences in productivity and the development of profit rates are specifically modified on the world market.

From this point of view, the financial system today performs the following on the international level: 1) The overcoming of borders and frictions that can be traced back to national territorialization and national-state restrictions. 2) The opening of national economies to foreign companies. 3) Overcoming the sluggishness of traditional industrial production, which is now even "made easier" by integration into global value chains. 4) Promoting international competition. The international financial system has the function of stabilizing and strengthening the dominance of the large corporations and imperialist states in the world system, while conversely the position of a country on the world market, the use of its own currency in international trade and its military power strengthen the possibility for domestic enterprises to further expand their power and control over economic resources at the international level. And few countries have an internationally functioning banking and financial system that requires at least developed foreign trade and an extensive international investment business, that is, intensive financial economic relations to other countries.

The liberation of the financial system from the barriers of mere national money is an important component of the monetary interdependence of national economies on the world market and leads to a comprehensive internationalization of the financial system. The states themselves create certain conditions for the international business of the financial system by issuing rules for payment transactions between the national payment systems; they offer insurance for certain transactions or provide guarantees for the regular payment of exports; and they grant licenses to foreign financial companies to conduct business in their own countries. In addition, the national central banks manage the currency trade according to the respective national exchange rates. In order to smooth erratic price movements on world markets, a whole series of further measures are being installed. The balance of foreign trade and payments and exchange rate movements are important parameters that indicate the constant efforts of a national economy and its companies to compete for the exploitation of the money capital circulating on the world market.

Those companies whose growth on their own national market is limited due to a lack of demand and which therefore have to expand on the world market, absolutely need a developed banking system which organises the circulation of the respective national currencies. The services provided by private banks to exporting and importing companies are extended by their own credit transactions, which in turn relieve the companies of special risks in foreign business, for example by guaranteeing the creditworthiness of their domestic companies to foreign business partners according to the rules applicable in their country and at the same time exercising the rights of their domestic companies vis-à-vis foreign business partners. (Decker/Hecker/Patrick 2016: 126) The private banks do not function merely as service providers for export and import transactions, but above all as organisations for their own profitable credit transactions. They trade the arbitrage of currencies by buying them cheaply across currency borders and selling them dearly. When exchange rates float freely, the private banks with their international money movements constantly re-evaluate the currencies among themselves.

Speculative uncertainty and risks always remain part of the accumulation of money capital, which in turn is a resource for insurance and derivatives trading. Various indicators, indices and parameters can become the subject of financial speculation; the national differences between growth rates, interest rates, government debt ratios, inflation rates, exchange rates, etc. can be taken into account. This means that there is a molecular assessment of monetary performance and flow variables, which are basically uncertain in their course and therefore have to be hedged with a variety of derivative instruments (which for some companies can be a profitable business, but does not have to be). With these mechanisms, the international financial system creates an enormous volume of sales, drives capital accumulation on a global scale, and evaluates and influences the hierarchy of states and their currencies as well as that of transnational corporations in global competition. A distinction can be made between the economically strong countries, whose economies function more or less smoothly both as sources of credit and investment spheres for money capital, i.e. as successful financial centres, and the dependent countries, whose economies do not possess such capacities. Certain financial firms organise speculative rigour tests for countries that have doubts about their creditworthiness, be it that fundamental data such as inflation rates or the increase in public debt relative to economic growth are precarious, be it that speculation is overheated to future growth at the location in question, for which reason financial institutions react with higher interest rates on government bonds. The power with which the financial industry functions states and companies for its own business always exists in the form of currencies, which in turn are significantly influenced by the imperialist states. In general, all countries must strive to ensure that their companies make profits abroad in order to generate foreign exchange.

In recent years, the debate about the concept of imperialism has been resumed, but in a different sense than Lenin or Hilferding had still discussed it in the twentieth century. In his book The City, Tony Norfield summarizes his own definition of imperialism, based on the topicality of the mechanisms of today's world market, as follows: A small number of imperialist states today form a hierarchical alliance on the world market, constituted simultaneously by large multinational corporations that produce enormous quantities of goods and services and capitalize capital of all kinds and financial services. The large international corporations are still investing today, but less in their own economies. The liberalization of world trade, the collapse of the Soviet Union, and the development of logistics allow the large corporations in the capitalist core countries new sources of profit and investment

opportunities in the global South, while the prices of their inputs fall from there due to cheap imports. The economic centres of power are thus based on a complex interplay between imperialist states, which, by providing material and social infrastructure, are the starting platforms for developed capital, and large transnational corporations, whose money capital flows constantly around the globe. The economic power relations between the leading capitalist economies are strictly hierarchized, but the relative power of the individual countries and their economies can always shift. The result is a division of the world based on the expansive exercise of the economic, political and military power of states and their large corporations. (Norfield 2016: Kindle-Edition: 189f.) The leading imperialist states must have reached a certain economic scale to enable a high concentration of capital, a developed and differentiated labor market in their own country, and advantageous access to economic resources on world markets and, to a certain extent, control over international capital flows.

The dominant power in an international geo-economic and geo-political comparison is still the United States, mainly because of its military strength and the dollar as the leading currency. Norfield names five concrete criteria that are decisive for a country's economic and political power position on the world market: 1) The size of a country's economy (an approximate figure is GDP). 2) The amount of foreign assets an economy has. 3) The international power of one's own banking sector. 4) The status of one's own currency as an internationally valid means of payment. 5) The level of military expenditure. (ibid.: 1960ff.)

The political-economic power position of a country on the world market can ultimately only be determined if its economic and political relations with other countries are taken into account. Norfield comes to the conclusion that today twenty countries occupy important and leading positions on the world market, in particular because of the strength and potency of their economies. The USA holds the leading position in four of the five above-mentioned criteria and is only surpassed by Great Britain with its financial centre London with regard to the size of its own banking system and its services in the international context (interbank trade). Due to the high number of banks and direct investments related to foreign assets, the UK ranks second ahead of Germany (4th place), which is regarded as the leading political power in Europe. China ranks third as the leading emerging market. (ibid.: 2060) Below the scale are the so-called commodity countries, which are particularly interesting as suppliers of cheap raw materials, energy, food and labour (Jason W. Moores Cheap Four; Moore 2016) both for the western industrialised countries and for the emerging states and are therefore permanently monitored and evaluated on commodity exchanges. A special role is played by the oil states, whose unique natural product, oil, has earned them a large share of the abstract wealth on the world markets and which are now themselves trying to establish new international locations for the creation of credit and the trading of fictitious and speculative capital.

The large companies of the imperialist countries have important economic advantages on the world market (they can set prices, i.e. offer products, services and monetary capital at comparatively low prices and produce their goods with the most effective and cost-effective technologies). They occupy, which is often underestimated, a powerful position in the networks of the national economy and those of the world economy. The latter precisely because of their intensive relations with their own state. The imperialist states massively protect the property rights of their own companies (patents) and through a series of political measures strengthen their economic power in international trade and the expansion of foreign direct investment. Last but not least, they secure the soundness of their own currency especially in crises and thus act as public insurance institutions for capital. The powerful financial enterprises also enjoy the permanent support of their national base, if only through the privileged access to their own currency, which they receive through the domestic central bank.

Today, the economic power of large corporations on world markets unfolds in particular through the so-called global value chains, i.e. through densely networked and transversal spaces constituted by infrastructures, information, goods and social actors and through which money capital flows. These transnational spaces with their nodes, lines and borders are traversed by material and immaterial flows of logistics and flows of capital. Digital programs such as Enterprise Resource Planning (ERP), which converts information about warehousing, production and human resources stored in databases into key figures, also open up new calculation possibilities, such as outsourcing, competition between different production locations and the calculation of supply routes, for example on the oceans, which are made possible by the evaluation of the various parts of the company. (Lee/Martin 2017: Kindle Edition: 2312) Logistics transforms the factory into divided networks of production and circulation scattered across the globe, which do not eliminate the territories of the nation states, but redesign them.

If, for example, foreign suppliers supply parts for a product whose final assembly is carried out in the factory halls of a group of companies located in a western industrialized country, then this group does not have direct access rights to the suppliers, but if they are located in low-wage countries, they remain entirely tied to and dependent on the production cycles of the companies in the rich countries (e.g. Foxconn). John Smith estimates, on the basis of data from the UNCTAD World Trade Conference, that about 80% of world trade today is conducted through the production and distribution networks of international companies and that it would therefore be wrong to focus analysis of world market relations and global value chains only on data available on foreign direct investment. (Smith 2016: 50) UNCTAD estimates that intermediate products and services at various stages of production account for about 60% of global trade. Take, for example, the iPhone, which is designed and permanently redesigned in Silicon Valley, while the individual parts are manufactured and assembled (by Foxconn) in Asia for production costs of around 225 dollars, and then shipped as a product to the USA (transport costs of 85 dollars are incurred), where it is finally sold for 650 dollars. The only moment when Apple's profits extracted from production in China are directly visible there is the sale of Apple products on the Chinese market. Today we are dealing with a super-exploitation of the workers (Smith) in the south-eastern

hemisphere of the world, carried out by certain transnational companies, with profits constantly being transferred to the northern imperialist countries. A large and still growing proportion of those workers who are integrated into the global value chains are now in the rising countries. So much of global industrial production has been shifted from the North to the South, for example to produce T-shirts in Bangladesh or the latest electronic gadgets in China; the stream of abstract wealth created by Chinese and other low-wage workers that sustains and increases the profits and prosperity of northern firms and nations does not appear in the economic data of Western economic institutes and the brain boxes of bourgeois economists. Smith argues at this point that outsourcing parts of companies to foreign countries is a conscious strategy of the capital of the leading imperialist countries, shifting the entrepreneurial risk to supplier firms and especially to countries where trade unions are weakly organized and thus capital could successfully pursue strategies to lower wages and social costs, while at the same time intensifying the exploitation of workers in the imperialist countries, accompanied by the expansion of employment in the low-wage countries.1 (Ibid.: 22)

The power of the state also depends on the economic strength of the multinational companies on the world market, which have wide-ranging international trade and production networks. The state in turn supports the companies by protecting property rights (patents) and negotiating certain economic agreements. Oligopolistic enterprises and imperialist states are therefore mutually dependent. A leading multinational company not only distinguishes its economic size and productivity, its degree of networking or market success, its global value for certain products or services, but also its backing by its own imperialist state and the advantages that can be derived from this affiliation. Today, the problem also arises that some financial institutions are not simply too networked, but are simply far too large to be saved at all by state subsidies in critical situations. These mega-companies are permanently engaged in significant international business operations and have an enormous political lobby in their own countries as well as in others. Even as international corporations, they are usually still national companies in so far as they own a single national capital location and expand internationally from there through hostile takeovers, mergers and investments. The powerful capitalist corporations and imperialist states are today the key players on the world markets, insofar as they can set almost all important conditions for international trade, the financial system and cross-border investment flows, and ultimately derivatives trade. But the governments of the imperialist states also set certain limits to the market operations of the international corporations, some of which are negotiated between the states themselves. For example, products that are to be sold abroad can be subject to high local taxation or import tariffs, or they may not even be sold because they fail to meet certain industrial and ecological standards abroad; exports to one's own country can be prevented, as the USA and the EU do with their restrictions on certain agricultural imports from Africa, or vice versa foreign industries can be weakened by their own cheap exports. Some companies profit from the restrictions on foreign products in their domestic countries and expand their position on the world market as a result. In return, however, they also generate income, employment and higher tax revenues for another country. While certain companies, which operate particularly intensively on the world market, do not necessarily have the abstract wealth of their own nation in mind, the imperialist states will always try to promote both the expansion of their own companies and their own country as a location for production and capital, and ultimately the domestic economy as a whole. The more economic resources a country has, the more powerful its state will be, and this in turn will be to the advantage of domestic companies and also of the privileged sections of its own population.

When analysing the world market, the respective access of multinational companies to the internationally active financial industry must always be taken into account. Globally operating corporations absolutely need their financial services, such as the stability of international payment systems, the role of foreign exchange in international trade, long-term investments, securities and derivatives trading, short-term loans and, in general, the exchange of money for money. The important functions of the financial system for the capital economy can today only be comprehensively assessed in an international context. While there is a differentiated division of labour within the financial system itself, such as bank lending, securities management, currency trading, stock and bond markets, etc., its most important organizations and operations are concentrated only in the few imperialist countries. Financial capital generally arises from the needs of the market economy of capital and is at the same time an important instrument of the leading imperialist countries and their companies to maintain and improve their privileged status on the world market, with the financial industries generating assets and incomes from all sorts of countries. In the economically strong countries, not only the famous one percent of the super-rich, but also a much higher proportion of the population benefit from the financial status of their own country on the world market, in that even workers and employees still hold financial securities, which in turn are traded on the world markets. Even high-turnover financial institutions such as insurance companies and pension funds are mostly located in the rich countries, as there are population groups here that are financially able to invest in such funds.

Easy access to one's own currency via the domestic central bank can significantly increase the economic influence of (financial) companies on other countries. Although a US bank based in France, for example, is subject to certain restrictions there, it can offer US companies and also companies from other countries in France more favourable access to the dollar due to its networking with US financial capital and the Fed. Financial companies have a better chance of expanding on the world market if their countries already have a dominant position in global trade, direct investment and securities trading and if financial transactions are carried out to a large extent with their own currency. Economic power also consists in the power to grant large amounts of credit and easy access to the credit markets, which in turn means being able to borrow at relatively low interest rates anywhere in the world. All in all, this means taking an influential position in the global financial networks. And this in turn also depends on the state to which the financial company belongs, because it provides the technological infrastructure that is absolutely necessary to enable the company's economic expansion at all.

Tony Norfield mentions three important factors that indicate that the financial sector plays a dominant role in the economy of an imperialist country and especially in the world economy (Norfield 2016: Kindle-Edition: 2926ff.) :

a) The use of funds from abroad to lend them to domestic companies and the state. Today, this can be done in particular by US financial companies (due to the US dollar in its function as the world's leading and reserve currency) and the London-based banking system.

b) The financing of investments made abroad by domestic companies to set external value-added production processes in motion. This can be done through bank financing or equity markets and allows further concentration of capital across national borders.

c) The appropriation of part of the globally produced added value by the large private banks and investment funds of the imperialist states granting loans and other financial securities to domestic and foreign companies and states. Each of these financial advantages of the companies of an imperialist state also depends on their privileged relations with certain other, equally privileged states.

1 The hundred largest multinational companies – by turnover, Royal Dutch Shell leads ahead of Exxon, Toyota and Volkswagen – have an average of 549 branches, with two-thirds of branches abroad. Today, for example, Siemens produces and sells in more than 200 countries.

Translated by deep.l.

Foto: Bernhard Weber